

**STATE OF CALIFORNIA
CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION
DRAW ON RESERVES OR DEFAULT REPORTING GUIDELINES**

MELLO-ROOS COMMUNITY FACILITIES DISTRICTS DRAW ON RESERVE OR DEFAULT REPORT

Section 53359.5(c) of the Government Code requires that all agencies issuing Mello-Roos Community Facilities District bonds, regardless of when sold, notify the Commission by mail, postage prepaid, within 10 days if any of the following events occur:

- (1) the local agency or its trustee fails to pay principal and interest due on any scheduled payment date; or
- (2) funds are withdrawn from a reserve fund to pay principal and interest on the bonds.
 - All CFD agencies which issue bonds, regardless of when sold, are covered by this requirement.
 - A *Draw on the Reserve Fund* is defined as any withdrawal of funds that decreases the Reserve Fund below that amount stated as the *Minimum Reserve Fund Required* in the official bond documents of the bond sale. Withdrawals from the Reserve Fund to pay principal and/or interest payments that do not decrease the Fund below the Minimum Reserve need not be reported.
 - Any CFD agency which draws the Reserve Fund below the Minimum Reserve Fund Required or fails to pay debt service must report to the Commission each time such an event occurs.
 - The report shall consist of a letter to the Commission stating: (1) the community facilities district's name, (2) the bond issue title and original date of issue, (3) the type of event [draw on the reserve fund or non-payment of principal and interest (default)], (4) the date the draw on the reserve fund or non-payment occurred, and (5) the amount of the draw on reserve fund or non-payment.
 - Issuers may include a statement of explanation containing information pertinent to the draw on reserve fund or default (i.e., how the agency expects to address the issue, etc.).

MARKS-ROOS BOND POOLING ACT PARTICIPANT DRAW ON RESERVE OR DEFAULT

- Section 6599.1 (c) of the Government Code requires that all agencies either issuing Marks-Roos bonds or agencies whose issues are purchased with the proceeds of a Marks-Roos bond issue, regardless of when sold, to notify the Commission by mail, postage prepaid, within 10 days if any of the following events occur:
 - (1) The local agency or its trustee fails to pay principal and interest due on any scheduled payment date.
 - (2) Funds are withdrawn from a reserve fund to pay principal and interest on the bonds issued by the authority or on any bonds acquired by the authority.

All Authority and LOB issuers which issue bonds, **regardless of when sold**, must comply with this reporting requirement. The report shall consist of letter sent to the Commission within 10 days of the event.

A *Draw on the Reserve Fund* is defined as any withdrawal of funds that decreases the Reserve Fund below the *Minimum Reserve Fund Requirement* as described in the official bond documents and/or the bond indenture. Funds withdrawn from the Reserve Fund to make principal and/or interest payments that do not decrease the Fund below the Minimum Reserve Fund Requirement need not be reported.

Any Authority or Local Obligor that draws on the Reserve Fund or fails to pay debt service must report to the Commission each time such an event occurs.

The report shall consist of a letter to the Commission stating: (1) the Authority's or the Local Obligation issue name; (2) the bond issue title and original date of sale; (3) the type of non-payment (draw on reserve fund or non-payment-default); the date the draw on reserve fund or non-payment occurred; and the amount of the draw on reserve fund or non-payment.

Issuers may include a statement of explanation containing information pertinent to the default or draw on reserve fund (i.e., how the situation is expected to be addressed or remedied and any foreclosure information).